

**REPORT OF THE AUDIT OF THE  
MONROE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT**

**June 30, 2010**

The Auditor of Public Accounts has completed the audit of the Monroe County Fiscal Court for fiscal year ended June 30, 2010.

We have issued unqualified opinions, based on our audit and the report of other auditors, on the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information financial statements of Monroe County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$8,853,737 as of June 30, 2010. The fiscal court had unrestricted net assets of \$7,373,041 in its governmental activities as of June 30, 2010, with total net assets of \$8,833,546. In its business-type activities, total net cash and cash equivalents were \$5,779 with total net assets of \$20,191. The fiscal court's discretely presented component units had net assets of \$2,740 as of June 30, 2010. The discretely presented component units had net cash and cash equivalents of \$1,679. The fiscal court had total debt principal as of June 30, 2010 of \$10,005,000 with \$400,000 due within the next year.

#### **Report Comments:**

- 2010-01 The Jailer Should Prepare A Detailed Annual Report For The Jail Canteen
- 2010-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000
- 2010-03 The Fiscal Court Should Have A Written Contract For Professional Services
- 2010-04 The Fiscal Court Failed To Approve Numerous Items Relating To The Monroe County Wellness Center Phase I And Phase II Building Projects
- 2010-05 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2010-06 The Jail Canteen Lacks An Adequate Segregation Of Duties
- 2010-07 The Fire And Rescue Squad Lacks Adequate Segregation Of Duties
- 2010-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For The Monroe County Wellness Center Phase I Project
- 2010-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project
- 2010-10 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation
- 2010-11 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account
- 2010-12 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Tommy Willett, Monroe County Judge/Executive

Honorable Wilbur Graves, Former Monroe County Judge/Executive

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, which represents 100 percent of the financial data of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Monroe County Recreation, Tourist, and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky  
 Honorable Steven L. Beshear, Governor  
 Lori H. Flanery, Secretary  
 Finance and Administration Cabinet  
 Honorable Tommy Willett, Monroe County Judge/Executive  
 Honorable Wilbur Graves, Former County Judge/Executive  
 Members of the Monroe County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2011 on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2010-01 The Jailer Should Prepare A Detailed Annual Report For The Jail Canteen
- 2010-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000
- 2010-03 The Fiscal Court Should Have A Written Contract For Professional Services
- 2010-04 The Fiscal Court Failed To Approve Numerous Items Relating To The Monroe County Wellness Center Phase I And Phase II Building Projects
- 2010-05 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2010-06 The Jail Canteen Lacks An Adequate Segregation Of Duties
- 2010-07 The Fire And Rescue Squad Lacks Adequate Segregation Of Duties
- 2010-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For The  
 Monroe County Wellness Center Phase I Project
- 2010-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project
- 2010-10 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation



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2010-11 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account  
2010-12 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules To Comply  
With GASB 34 Requirements And Inventory Capital Assets Periodically

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

May 26, 2011

MONROE COUNTY OFFICIALS

For The Year Ended June 30, 2010

**Fiscal Court Members:**

Wilbur Graves	Former County Judge/Executive
Tommy Willett	County Judge/Executive
Alonzo Ford	Magistrate
Terry Ford	Magistrate
Sam Maxie Harlan	Magistrate
Tim Gordon	Magistrate (Deceased)
Jeff Proffitt	Magistrate

**Other Elected Officials:**

Wesley Stephens	County Attorney
Elmer Doyle Fox	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff (Deceased)
Louis L. Carter	Property Valuation Administrator
Jackie Waldon	Coroner

**Appointed Personnel:**

Sheryl Conkin	County Treasurer
Kim Staples	Occupational Tax Collector

**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	Primary Government			Component Unit - Monroe County
	Governmental Activities	Business-Type Activities	Totals	Recreation, Tourist, and Convention Commission
ASSETS				
Current Assets:				
Cash	\$ 7,773,041	\$ 5,779	\$ 7,778,820	\$ 1,679
Accounts Receivable				1,061
Total Current Assets	7,773,041	5,779	7,778,820	2,740
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress	4,319,790		4,319,790	
Land and Land Improvements	482,400		482,400	
Buildings	2,845,271		2,845,271	
Other Equipment	349,995		349,995	
Vehicles and Equipment	111,562	14,412	125,974	
Infrastructure Assets - Net of Depreciation	2,956,487		2,956,487	
Total Noncurrent Assets	11,065,505	14,412	11,079,917	
Total Assets	18,838,546	20,191	18,858,737	2,740
LIABILITIES				
Current Liabilities:				
Bonds Payable	400,000		400,000	
Total Current Liabilities	400,000		400,000	
Noncurrent Liabilities:				
Bonds Payable	9,605,000		9,605,000	
Total Noncurrent Liabilities	9,605,000		9,605,000	
Total Liabilities	10,005,000		10,005,000	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,460,505	14,412	1,474,917	
Unrestricted	7,373,041	5,779	7,378,820	2,740
Total Net Assets	\$ 8,833,546	\$ 20,191	\$ 8,853,737	\$ 2,740

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**

**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,392,206	\$ 20,552	\$ 311,763	\$
Protection to Persons and Property	503,113	100,560	98,789	
General Health and Sanitation	24,427		2,790	
Social Services	11,333			
Recreation and Culture	9,644			
Roads	1,144,072		1,173,756	
Airports	3,000			
Interest on Long-Term Debt	173,098			
Capital Projects	58,896			2,496,183
Total Governmental Activities	3,319,789	121,112	1,587,098	2,496,183
Business-type Activities:				
Jail Canteen	16,285	15,145		
Total Business-type Activities	16,285	15,145		
Total Primary Government	\$ 3,336,074	\$ 136,257	\$ 1,587,098	\$ 2,496,183
Component Units:				
Monroe County Recreation, Toursit, and Convention Commission	\$ 20,175	\$	\$	\$

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit - Monroe County Recreation, Tourist, and Convention Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (1,059,891)	\$	\$ (1,059,891)	\$
(303,764)		(303,764)	
(21,637)		(21,637)	
(11,333)		(11,333)	
(9,644)		(9,644)	
29,684		29,684	
(3,000)		(3,000)	
(173,098)		(173,098)	
2,437,287		2,437,287	
884,604		884,604	
	(1,140)	(1,140)	
	(1,140)	(1,140)	
884,604	(1,140)	883,464	
			(20,175)
220,905		220,905	
47,817		47,817	
49,831		49,831	
625,223		625,223	9,611
15,143		15,143	
42,218		42,218	4,245
29,854		29,854	5
1,030,991		1,030,991	13,861
1,915,595	(1,140)	1,914,455	(6,314)
6,917,951	21,331	6,939,282	9,054
\$ 8,833,546	\$ 20,191	\$ 8,853,737	\$ 2,740

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**



**MONROE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash	\$ 123,505	\$ 304,266	\$ 4,683	\$ 7,291,943	\$ 48,644	\$ 7,773,041
Total Assets	<u>123,505</u>	<u>304,266</u>	<u>4,683</u>	<u>7,291,943</u>	<u>48,644</u>	<u>7,773,041</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	12,600	14,400	8,500			35,500
Unreserved:						
General Fund	110,905					110,905
Special Revenue Funds		289,866	(3,817)		48,644	334,693
Capital Projects Fund				7,291,943		7,291,943
Total Fund Balances	<u>\$ 123,505</u>	<u>\$ 304,266</u>	<u>\$ 4,683</u>	<u>\$ 7,291,943</u>	<u>\$ 48,644</u>	<u>\$ 7,773,041</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 7,773,041
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	14,844,545
Accumulated Depreciation	(3,779,040)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Revenue Bonds	<u>(10,005,000)</u>
Net Assets Of Governmental Activities	<u>\$ 8,833,546</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Public Properties Corporation</u>
<b>REVENUES</b>				
Taxes	\$ 864,991	\$	\$	\$
In Lieu Tax Payments	57,904			
Excess Fees	15,143			
Licenses and Permits	19,102			
Intergovernmental	2,637,493	1,173,756	127,558	140,965
Charges for Services	5,750		27,867	
Miscellaneous	6,137	25,460	7,666	
Interest	3,775	8,823	485	16,132
Total Revenues	<u>3,610,295</u>	<u>1,208,039</u>	<u>163,576</u>	<u>157,097</u>
<b>EXPENDITURES</b>				
Current:				
General Government	591,013			
Protection to Persons and Property	102,830		348,897	
General Health and Sanitation	50,467			
Social Services	5,191			
Recreation and Culture	9,644			
Roads		1,266,868		
Airports				
Debt Service				4,670,098
Capital Projects	2,336,758			1,683,429
Administration	402,969	49,644	62,559	104,930
Total Expenditures	<u>3,498,872</u>	<u>1,316,512</u>	<u>411,456</u>	<u>6,458,457</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>111,423</u>	<u>(108,473)</u>	<u>(247,880)</u>	<u>(6,301,360)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Issuance				10,005,000
Discount On Bond Issuance				(155,378)
Transfers From Other Funds	74,319		220,000	
Transfers To Other Funds	(226,837)	(74,319)		
Total Other Financing Sources (Uses)	<u>(152,518)</u>	<u>(74,319)</u>	<u>220,000</u>	<u>9,849,622</u>
Net Change in Fund Balances	(41,095)	(182,792)	(27,880)	3,548,262
Fund Balances - Beginning	164,600	487,058	32,563	3,743,681
Fund Balances - Ending	<u>\$ 123,505</u>	<u>\$ 304,266</u>	<u>\$ 4,683</u>	<u>\$ 7,291,943</u>

The accompanying notes are an integral part of the financial statements.



**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 864,991
	57,904
	15,143
	19,102
90,223	4,169,995
2,560	36,177
2,955	42,218
639	29,854
<u>96,377</u>	<u>5,235,384</u>
13,449	604,462
23,043	474,770
	50,467
	5,191
	9,644
	1,266,868
3,000	3,000
	4,670,098
58,897	4,079,084
	620,102
<u>98,389</u>	<u>11,783,686</u>
<u>(2,012)</u>	<u>(6,548,302)</u>
	10,005,000
	(155,378)
6,837	301,156
	(301,156)
<u>6,837</u>	<u>9,849,622</u>
4,825	3,301,320
43,819	4,471,721
<u>\$ 48,644</u>	<u>\$ 7,773,041</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**MONROE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 3,301,320
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	6,243,554
Depreciation Expense	(513,997)
Assets disposed of, net book value	(1,610,282)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Bond Proceeds	(10,005,000)
Bond Principal Payments	<u>4,500,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 1,915,595</u></u>
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**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**





**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash	\$ 5,779
Total Current Assets	<u>5,779</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	21,367
Less Accumulated Depreciation	<u>(6,955)</u>
Total Noncurrent Assets	<u>14,412</u>
Total Assets	<u>20,191</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	14,412
Unrestricted	<u>5,779</u>
Total Net Assets	<u>\$ 20,191</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 15,145
Total Operating Revenues	<u>15,145</u>
<b>Operating Expenses</b>	
Cost of Sales	217
Phone Cards	1,733
Sales Tax	716
Educational and Recreational	526
Administrative	460
Depreciation	1,391
Miscellaneous	<u>94</u>
Total Operating Expenses	<u>5,137</u>
Operating Income (Loss)	<u>10,008</u>
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Refunds	<u>(11,148)</u>
Total Nonoperating Revenues (Expenses)	<u>(11,148)</u>
Change In Net Assets	(1,140)
Total Net Assets - Beginning	<u>21,331</u>
Total Net Assets - Ending	<u><u>\$ 20,191</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**





**MONROE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Receipts From Customers for Sales	\$ 15,145
Cash Payments To Vendors for Supplies	(217)
Cash Payments for Phone Cards	(1,733)
Cash Payments for Sales Tax	(716)
Cash Payments for Miscellaneous	(1,080)
Net Cash Provided By Operating Activities	<u>11,399</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	
Inmate Refunds on Accounts	(11,148)
Net Cash Provided By Noncapital Financing Activities	<u>(11,148)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	251
Cash and Cash Equivalents - July 1	<u>5,528</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 5,779</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 10,008
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>1,391</u>
Net Cash Provided By Operating Activities	<u><u>\$ 11,399</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**MONROE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>Agency Fund</b></u>
	<u><b>Jail Inmate Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$       850
	<u>                  850</u>
Total Assets	<u>                  850</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>                  850</u>
	<u>                  850</u>
Total Liabilities	<u>                  850</u>
<b>Net Assets</b>	<u><u>                  \$       0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. The financial statements of Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting all assets and liabilities are recognized on the Statement of net Assets. Revenues are recorded when earned and liabilities are recorded when incurred, regardless of timing of cash.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Monroe County Public Properties Corporation

The Monroe County Fiscal Court appoints the Public Properties Corporation's (PPC) governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the PPC. Financial information for the PPC is blended within Monroe County's financial statements. All activities of the PPC are accounted for within a governmental fund.

Monroe County Fire and Rescue Squad

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is run by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. However, the four officers have to answer to Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2009, the Fire and Rescue Squad received \$6,837 from Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Financial information for the Fire and Rescue Squad is blended with Monroe County's financial statements and has been presented as a non-major governmental fund.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

Monroe County Recreation, Tourist, and Convention Commission

On January 16, 2002, Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreation, Tourist, and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court. Financial information for the Commission is discretely presented in the accompanying financial statements.



**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Units (Continued)

Audited financial statements for the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, may be requested by contacting the Monroe County Recreation, Tourist, and Convention Commission, 202 North Magnolia Street, Tompkinsville, KY 42167.

**C. Monroe County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Monroe County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Public Properties Corporation Fund** - The purpose of this fund is to account for funds received from a bond issuance. The funds will be used for completing the Monroe County Justice Center.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, and Monroe County Fire and Rescue Squad Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Monroe County Fire and Rescue Squad Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Grant Fund and the Public Properties Corporation Fund are presented as a capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - Accounts for funds received from inmates and held until inmates use these funds or are released from custody.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Monroe County Public Properties Corporation because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require the fiscal court to report or budget this fund.

**J. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 2. Deposits**

The primary government and Monroe County Recreation, Tourist, and Convention Commission maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 482,400	\$	\$	\$ 482,400
Construction In Progress	1,883,533	4,020,188	(1,583,931)	4,319,790
Total Capital Assets Not Being Depreciated	2,365,933	4,020,188	(1,583,931)	4,802,190
Capital Assets, Being Depreciated:				
Buildings	2,561,486	1,642,828		4,204,314
Other Equipment	834,123	76,057	(38,280)	871,900
Vehicles	414,415		(59,831)	354,584
Infrastructure	4,107,076	504,481		4,611,557
Total Capital Assets Being Depreciated	7,917,100	2,223,366	(98,111)	10,042,355
Less Accumulated Depreciation For:				
Buildings	(1,277,642)	(81,401)		(1,359,043)
Other Equipment	(497,385)	(43,660)	19,140	(521,905)
Vehicles	(274,392)	(21,250)	52,620	(243,022)
Infrastructure	(1,287,384)	(367,686)		(1,655,070)
Total Accumulated Depreciation	(3,336,803)	(513,997)	71,760	(3,779,040)
Total Capital Assets, Being Depreciated, Net	4,580,297	1,709,369	(26,351)	6,263,315
Government Activities Capital Assets, Net	\$ 6,946,230	\$ 5,729,557	\$ (1,610,282)	\$ 11,065,505
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	21,367			21,367
Total Capital Assets Being Depreciated	21,367			21,367
Less Accumulated Depreciation For:				
Vehicles	(5,564)	(1,391)		(6,955)
Total Accumulated Depreciation	(5,564)	(1,391)		(6,955)
Total Capital Assets, Being Depreciated, Net	15,803	(1,391)		14,412
Government Activities Capital Assets, Net	\$ 15,803	\$ (1,391)	\$ 0	\$ 14,412

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 53,713
Protection To Persons and Property	28,343
General Health and Sanitation	32,857
Recreation and Culture	6,142
Roads	<u>392,942</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 513,997</u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2010 was as follows:

Business-Type Activities:

Jail Canteen	<u>\$ 1,391</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,391</u>

**Note 4. Long-term Debt**

**A. First Mortgage Revenue Bond Anticipation Notes, Series 2008**

The Monroe County Public Properties Corporation, an agency and instrumentality of the fiscal court, issued obligations of \$4,500,000 dated March 20, 2008. The principal is to be paid on the maturity date of March 1, 2010 and interest is payable semi-annually on March 1 and September 1 of each year at varying rates. The bond anticipation was issued for the purpose of constructing a Judicial Center. As of June 30, 2010, the outstanding balance was \$0.

**B. First Mortgage Revenue Bonds, Series 2009**

On December 1, 2009, the Monroe County Public Properties Corporation issued revenue bonds of \$10,005,000 to pay off the 2008 Series Notes, which were originally issued for the purpose of constructing a Judicial Center, and to further the construction of the Judicial Center. The principal is to be paid on the maturity date of November 1, 2028 and interest is payable semi-annually on May 1 and November 1 of each year at varying rates. As of June 30, 2010, the outstanding principal balance was \$10,005,000. Future principal and interest requirements are:



**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. First Mortgage Revenue Bonds, Series 2009 (Continued)**

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest and Fees
2011	\$ 400,000	\$ 340,900
2012	405,000	334,850
2013	415,000	326,650
2014	425,000	318,250
2015	430,000	308,840
2016-2020	2,365,000	1,340,755
2021-2025	2,840,000	866,400
2026-2029	2,725,000	236,783
Totals	<u>\$ 10,005,000</u>	<u>\$ 4,073,428</u>

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Bond Anticipation Note	\$ 4,500,000	\$	\$ 4,500,000	\$	\$
Revenue Bond		10,005,000		10,005,000	400,000
Governmental Activities					
Long-term Liabilities	<u>\$ 4,500,000</u>	<u>\$ 10,005,000</u>	<u>\$ 4,500,000</u>	<u>\$ 10,005,000</u>	<u>\$ 400,000</u>

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

The county's contribution for FY 2008 was \$109,625, FY 2009 was \$90,159, and FY 2010 was \$110,596.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Insurance**

For the fiscal year ended June 30, 2010, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 7. Prior Period Adjustments**

Beginning Construction in Progress for governmental activities was increased \$299,602 due to omission of the Judicial Center construction and land was increased \$343,200 due to omission of Judicial Center land purchased in the prior year. Beginning Accumulated Depreciation for governmental activities was decreased \$11,351 due to errors in the prior year. The overall effect of these adjustments is an increase of \$654,153 to Net Assets – Beginning Balance for governmental activities.

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**



**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 863,600	\$ 863,600	\$ 864,991	\$ 1,391
In Lieu Tax Payments	50,000	50,000	57,904	7,904
Excess Fees	20,000	20,000	15,143	(4,857)
Licenses and Permits	19,100	19,100	19,102	2
Intergovernmental Revenue	177,670	3,173,075	2,637,493	(535,582)
Charges for Services	6,800	6,800	5,750	(1,050)
Miscellaneous	8,000	8,000	6,137	(1,863)
Interest	6,000	6,000	3,775	(2,225)
Total Revenues	1,151,170	4,146,575	3,610,295	(536,280)
<b>EXPENDITURES</b>				
General Government	601,542	643,071	591,013	52,058
Protection to Persons and Property	108,570	119,168	102,830	16,338
General Health and Sanitation	14,200	107,103	50,467	56,636
Social Services	6,000	6,654	5,191	1,463
Recreation and Culture	13,300	12,800	9,644	3,156
Capital Projects		2,841,321	2,336,758	504,563
Administration	406,303	415,203	402,969	12,234
Total Expenditures	1,149,915	4,145,320	3,498,872	646,448
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,255	1,255	111,423	110,168
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	74,319	74,319	74,319	
Transfers To Other Funds	(375,574)	(375,574)	(226,837)	148,737
Total Other Financing Sources (Uses)	(301,255)	(301,255)	(152,518)	148,737
Net Changes in Fund Balance	(300,000)	(300,000)	(41,095)	258,905
Fund Balance - Beginning	300,000	300,000	164,600	(135,400)
Fund Balance - Ending	\$ 0	\$ 0	\$ 123,505	\$ 123,505

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 970,392	\$ 1,137,824	\$ 1,173,756	\$ 35,932
Miscellaneous	23,087	23,087	25,460	2,373
Interest	6,000	6,000	8,823	2,823
Total Revenues	999,479	1,166,911	1,208,039	41,128
<b>EXPENDITURES</b>				
Roads	867,060	1,519,750	1,266,868	252,882
Administration	58,100	59,900	49,644	10,256
Total Expenditures	925,160	1,579,650	1,316,512	263,138
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	74,319	(412,739)	(108,473)	304,266
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(74,319)	(74,319)	(74,319)	
Total Other Financing Sources (Uses)	(74,319)	(74,319)	(74,319)	
Net Changes in Fund Balance		(487,058)	(182,792)	304,266
Fund Balance - Beginning		487,058	487,058	
Fund Balance - Ending	\$ 0	\$ 0	\$ 304,266	\$ 304,266

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 98,700	\$ 98,700	\$ 127,558	\$ 28,858
Charges for Services	13,500	13,500	27,867	14,367
Miscellaneous	2,000	2,000	7,666	5,666
Interest	600	600	485	(115)
Total Revenues	114,800	114,800	163,576	48,776
EXPENDITURES				
Protection to Persons and Property	422,124	420,721	348,897	71,824
Administration	68,250	69,653	62,559	7,094
Total Expenditures	490,374	490,374	411,456	78,918
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(375,574)	(375,574)	(247,880)	127,694
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	375,574	375,574	220,000	(155,574)
Total Other Financing Sources (Uses)	375,574	375,574	220,000	(155,574)
Net Changes in Fund Balance			(27,880)	(27,880)
Fund Balance - Beginning			32,563	32,563
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,683	\$ 4,683

**MONROE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.



**MONROE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2010**



**MONROE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>LGEA Fund</b>	<b>Monroe County Fire And Rescue Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 39,455	\$ 9,189	\$ 48,644
Total Assets	<u>39,455</u>	<u>9,189</u>	<u>48,644</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	<u>39,455</u>	<u>9,189</u>	<u>48,644</u>
Total Fund Balances	<u>\$ 39,455</u>	<u>\$ 9,189</u>	<u>\$ 48,644</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**



**MONROE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>Local Government Economic Assistance Fund</b>	<b>Grant Fund</b>	<b>Monroe County Fire And Rescue Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 23,076	\$ 58,897	\$ 8,250	\$ 90,223
Charges for Services			2,560	2,560
Miscellaneous			2,955	2,955
Interest	639			639
Total Revenues	<u>23,715</u>	<u>58,897</u>	<u>13,765</u>	<u>96,377</u>
<b>EXPENDITURES</b>				
General Government	13,449			13,449
Protection to Persons and Property			23,043	23,043
Airports	3,000			3,000
Capital Projects		58,897		58,897
Total Expenditures	<u>16,449</u>	<u>58,897</u>	<u>23,043</u>	<u>98,389</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>7,266</u>		<u>(9,278)</u>	<u>(2,012)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			6,837	6,837
Total Other Financing Sources (Uses)			<u>6,837</u>	<u>6,837</u>
Net Change in Fund Balances	7,266		(2,441)	4,825
Fund Balances - Beginning	32,189		11,630	43,819
Fund Balances - Ending	<u>\$ 39,455</u>	<u>\$ 0</u>	<u>\$ 9,189</u>	<u>\$ 48,644</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Tommy Willett, Monroe County Judge/Executive  
The Honorable Wilbur Graves, Former Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 26, 2011. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission. Other auditor's whose report has been furnished to us audited those financial statements. Monroe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monroe County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-05, 2010-06, 2010-07, 2010-08, 2010-09, 2010-10, 2010-11, and 2010-12 to be material weaknesses.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Monroe County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2010-01, 2010-02, 2010-03, 2010-04, and 2010-11.

The Monroe County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

May 26, 2011

**MONROE COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2010**



**MONROE COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2010**

FINANCIAL STATEMENT FINDINGS:

2010-01 The Jailer Should Prepare A Detailed Annual Report For The Jail Canteen

Auditor observed that the jailer did not present a detailed financial statement to the treasurer for fiscal year ended June 30, 2009. KRS 441.135 (2) states, "The Jailer...shall annually report to the county treasurer on the canteen account." We recommend that the jailer present a detailed yearly financial statement to the fiscal court. This should include the beginning cash balance, summary of receipts and disbursements, and the reconciled year-end balance.

*County Judge/Executive's Response: No response.*

*County Jailer Doyle Fox's Response: No response.*

2010-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000

The Monroe County Wellness Center Phase I building project was originally bid August 21, 2008. Bids were received and subsequently rejected on September 17, 2008. The County informed the project engineer they could not afford the building design and would need to suspend work. The County then initiated the process again using "design-build" in September 2009. (See Comment 2010-04)

The County's procurement policy does not authorize this project delivery method for a procurement of design and construction services, and the County has not adopted the State's Model Procurement Code for local public agencies, KRS 45A.345 to 45A.460.

Our review of project files noted the following:

- Available funds for this project were \$2,927,051, but a budget was arbitrarily set for the project by the County Judge/Executive of \$2,500,000.
- In September 2009, the Fiscal Court advertised for sealed bid proposals for design-build services for the Monroe County Wellness Center Phase I construction project. The sealed bids were to be accompanied by a design-build proposal.
- Design-build proposals were to include scope of work, engineering designs, and design-build experience.
- The bids were publicly opened on October 8, 2009, and all bids came in over budget, but not over the amount of funds available for the project, and were publicly rejected by Fiscal Court on October 15, 2009.
- The Fiscal Court decided not to solicit new competitive bids on the project, but to use only design-build proposals, to set the construction costs not to exceed \$2.5 million without basing the request for proposals on revised specifications and quantities for the project as required by the County's procurement policy and KRS 45A.375, and to require each vendor to give a thirty minute presentation. The design-build proposals were due on October 29, 2009 and presentations were to be held on November 3, 2009.
- Design-build proposals were collected on October 29, 2009 for review.
- Design-build presentations were conducted on November 3, 2009.
- The contract for the design-build delivery method for this procurement was awarded to J&S Construction on November 3, 2009.
- Contract between J&S Construction and the Fiscal Court was signed November 4, 2009.

**MONROE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2010-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000 (Continued)

- On November 18, 2009, a contract cost change order of an additional \$415,116 was submitted by J&S Construction for energy efficient items to the Phase I building and the Phase II building that had already been built. This change order was approved by the County Judge/Executive on November 23, 2009.

Auditors noted the following:

- As noted in another comment, auditors have determined that the scope of work in the design-build proposal specifications was not complete. Additional energy efficiency items were later added to J&S Construction's contract in a change order for \$415,116. The other vendors submitting design-build proposals were not aware of these additional items.
- According to the County's procurement policy, competitive sealed bids will be used for all construction projects over \$20,000 if the project has detailed specifications for the goods and services to be performed and the primary basis is cost. If all bids exceed available funds the fiscal court may enter into competitive negotiations in accordance with KRS 45A.375. Auditors noted that the available funds were not exceeded; however, the scope of work was not complete and detailed specifications were lacking.
- According to the County's procurement policy, the competitive negotiation method can only be used if specifications cannot be made specific enough to permit the award of a bid on the basis of either the lowest bid price or the lowest evaluated bid price and the services to be procured are professional or personal.
- The competitive negotiation method requires a request for proposals (RFP) to be advertised and to include identification of factors to be considered in the evaluation of the proposals and the relative weights assigned to each selection factor. Weights could be identified as percentages or points. Cost is also considered as a factor. This process would include a selection committee that would evaluate the cost and the other factors separately. A written evaluation of each proposal response would be prepared. The vendor with the highest combination score would be awarded the contract.
- Auditors noted that the request for proposals did not include any weights for the factors. The Fiscal Court may not set the budget for the construction project at a fixed price and require all vendors to design a building for that price. Rather, the request for proposals should have been based on detailed revised specifications, so that all proposals submitted would be based on the same specifications. If written evaluations were prepared by the selection committee, they were not included in the project files and were never submitted to auditors for review.

We recommend the Fiscal Court use competitive sealed bids for all construction projects over \$20,000. If that method is not feasible, it should use other methods authorized in the county's procurement policy and apply them properly. The design-build method of delivery for procurement is not available under the county's current procurement policy.

*County Judge/Executive's Response: No response.*



**MONROE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2010-03 The Fiscal Court Should Have A Written Contract For Professional Services

During our review of the Monroe County Wellness Center Phase I building project, we noted the county hired an engineering firm without a written contract. This engineering firm was to prepare and distribute design-build criteria, to assist in the evaluation of the design-build proposals, be involved in the selection of the geotechnical firm, and to be utilized by the successful design-builder for civil engineering services. The engineering firm was paid directly by the design-builder and included on change orders to be reimbursed by the county. The county's procurement policies require that all procurement in excess of \$500 be memorialized and supported by a written contract.

We recommend that the Fiscal Court obtain a written contract for all professional services. That contract should include the rights and responsibilities of both parties, and arrangements for payment.

*County Judge/Executive's Response: No response.*

2010-04 The Fiscal Court Failed To Approve Numerous Items Relating To The Monroe County Wellness Center Phase I And Phase II Building Projects

During our review of the Monroe County Wellness Center Phase I and Phase II building project files, we noted the following items were not brought before and approved by the Fiscal Court:

Phase II building project (built first):

- January 2, 2008 advertisement for bid – bids to be opened January 24, 2008.
- Results of bid opening of January 24, 2008.
- The decision to reject all bids of January 24, 2008.
- February 21, 2008 advertisement for re-bid to be opened March 13, 2008.

Phase I building project (currently under construction):

- August 21, 2008 advertisement for bid – bids to be opened September 17, 2008.
- Results of bid opening of September 17, 2008.
- The decision to reject all bids of September 17, 2008.
- The decision to inform the engineering firm that the county could not afford the building that they had designed.
- The decision to have the County Attorney inform the engineering firm their services are no longer needed and to settle with the engineering firm.

Grant agreement amendments relating to the projects:

- March 2008 extension of HB 380 grant – new expiration date July 31, 2009.
- May 2009 extension of HB 380 grant – new expiration date June 20, 2010.
- October 2009 extension of CDBG grant – expiration date December 31, 2009.

We recommend that the Fiscal Court approve all areas relating to construction projects. These approvals include all advertisements for bids, rejected bids, advertisement for rebid, and awarding the contract.

*County Judge/Executive's Response: No response.*

**MONROE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2010-05 The Fiscal Court Lacks Adequate Segregation Of Duties

The Fiscal Court has a lack of segregation of duties over receipts and disbursements. The County Treasurer receives the mail, prepares the deposit, posts to the receipts ledger, and reconciles the monthly bank statements. She also participates in the preparation of the claim list and checks, and posts to the disbursements ledger. The County Judge does not compare checks to supporting documentation before signing. No documented review or compensating controls exist over these areas.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving, recording, and reporting of receipts, reconciliation of those receipts, or in the approval of purchases and preparation of the claims list and checks. The Fiscal Court should strengthen internal controls by segregating these duties. If segregation of duties is not possible, due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents.

*County Judge/Executive's Response: No response.*

2010-06 The Jail Canteen Lacks An Adequate Segregation Of Duties

A lack of segregation of duties exists over all jail canteen accounting functions. The bookkeeper receives the mail, prepares and deposits the receipts, and writes checks. Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. The jailer should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

If one employee is solely responsible for the receipt, disbursement, and reporting and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*County Judge/Executive's Response: No response.*

*County Jailer Doyle Fox's Response: No response.*

2010-07 The Fire And Rescue Squad Lacks Adequate Segregation Of Duties

A lack of segregation of duties exists over all accounting functions. The treasurer receives all mail, prepares and deposits the receipts, prepares checks, and performs the bank reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in the receiving processing, recording, and reporting of receipts and disbursements. The Fire and Rescue Squad should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

**MONROE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2010-07 The Fire And Rescue Squad Lacks Adequate Segregation Of Duties (Continued)

If one employee is solely responsible for the receipt, disbursement, and reporting and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the Fire and Rescue Squad separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*County Judge/Executive's Response: No response.*

*Monroe County Fire and Rescue Treasurer's Response: No response.*

2010-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For The Monroe County Wellness Center Phase I Project

During our review of the Monroe County Wellness Center Phase I building project, we noted that a change order of \$415,116 (**See Appendix B**) submitted by the design-build contractor on November 18, 2009, included nine (9) energy efficient items that were not originally included in the design-build criteria. One energy efficient item that stands out is \$269,152 for a water source heat pump system for the phase I building currently being constructed and to replace the existing Phase II building HVAC system completed in September 2009. Auditors have determined that these items should have been included in the original design-build criteria. The other vendors that submitted design-build proposals were unaware of these additional items. Four (4) of the additional items cost more than \$20,000.

We recommend that the Fiscal Court include all items for a construction project in the original or revised specifications and scope of work.

*County Judge/Executive's Response: No response.*

2010-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project

The Monroe County Wellness Center Phase II building project included a total of eight (8) change orders. Auditor's reviewed all eight (8) change orders and are questioning the following two (2) change orders:

- No. 7 – Install dehumidification controls on two (2) HVAC systems \$6,752.
- No. 8 – Add hardware to five (5) store front doors (doors leaking) \$3,850.

Auditor's noted that each change order states that it is not valid until signed by the architect, contractor and owner. Change orders No.7 and No.8 were not signed by the architect.

Auditors also noted that change orders No. 7 and No. 8 were for additional materials and labor to correct problems associated with previous work done to existing building that should be covered by the construction contractor.

**MONROE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2010-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project (Continued)

Change orders No.7 and No. 8 were paid for with funds from the U.S. Housing and Urban Development (HUD) EDI Grant obtained by the Monroe County Wellness Center Board. We recommend the county contact the Monroe County Attorney to determine if a reimbursement of \$10,602 is due from the construction contractor to the Wellness Center Board for change orders No. 7 and No. 8.

In addition, we recommend that in the future, all construction project change orders have all the appropriate approvals before being submitted for payment and that no change orders are requested for materials and work to correct problems that should be covered by the construction contractor.

*County Judge Executive's Response: No response.*

2010-10 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation

Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation (PPC), this entity is reported as a blended component unit of the Fiscal Court. During our review of cash, we noted the Fiscal Court did not maintain ledgers for receipts and disbursements, did not prepare bank reconciliations, and did not prepare financial statements for fiscal year ended June 30, 2010 for the PPC's activity. We recommend that the Fiscal Court prepare and maintain ledgers for receipts and disbursements of the PPC. We also recommend that bank reconciliations be prepared monthly on all bank accounts. We further recommend the Fiscal Court or the board of this entity prepare end of the year financial statements.

*County Judge Executive's Response: No response.*

2010-11 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account

During the testing of the Jail Canteen Account, we noted the following deficiencies:

- Detailed receipts ledger was not maintained.
- Daily checkout sheets were not prepared and posted to a receipts ledger.
- Receipts and disbursements maintained in the computer system were not reconciled to the bank statements.

The Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual outlines the following minimum accounting and reporting requirements pursuant to KRS 68.210:

- Daily Checkout Sheet
- Receipts Journal
- Jail Commissary Summary and Reconciliation

We recommend the Jailer comply with the above requirements by preparing accurate daily checkout sheets, reconciling the daily checkout sheets to daily deposits and receipts ledger, reconciling receipts and disbursements in the computer system to the bank statements, and preparing a detailed receipts ledger.

*County Judge Executive's Response: No response.*

*Jailer Doyle Fox's Response: In process of correcting this.*

**MONROE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2010-12    The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

The County did not have a completed capital asset schedule for fiscal year ended June 30, 2010. A list of capital asset additions, retirements and disposals were not properly maintained. Also, assets were retired or disposed of without proper descriptions therefore it is difficult to identify these items for removal from the capital asset schedule.

A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, we believe the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As other assets are retired or disposed they should be removed from the listing.

During our review of internal controls, auditors noted physical inventory counts have not been performed. It appears the county has not placed sufficient emphasis on the importance of a regular capital assets physical inventory counts. Without regular capital asset physical inventory accounts, the county's capital assets inventories may obtain undetected errors. Also, the failure to tag capital assets increases the risk of inaccurate reporting. Many capital assets have similar descriptions and lack serial numbers or sufficient data to distinguish assets. Therefore, the lack of unique tags for asset identification increase the risk of over/under reporting like assets.

We recommend the County maintain complete and accurate capital assets schedules and records to comply with GASB 34 requirements. The Fiscal Court should take a physical inventory of its capital assets on a regular basis to ensure that only active, in-service machinery and equipment is included on the County's financial statements. We also recommend the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

*County Judge Executive's Response: No response.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**MONROE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**






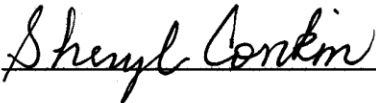
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MONROE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_

County Judge/Executive

  
\_\_\_\_\_

County Treasurer



## **MONROE COUNTY WELLNESS CENTER**



**MONROE COUNTY WELLNESS CENTER  
APPENDIX B**



## Change Order

To Contractor: J&S Construction Company  
1843 Foreman Drive  
Cookeville, TN 38501

Change Order #: 1  
Date: 11/18/2009  
Job: 00-000421 Monroe Co Wellness Ctr-New Fac

Description: Additional Scope Items

The Contract is hereby revised by the following:

1	Open Cell Foam Insulation	For Energy Conservation, the Contractor shall install Open Cell spray foam on the exterior stud walls (R-19 = 6.5") and Open Cell spray foam on the bottom side of roof deck (R-30 = 9"). The pool area roof and walls shall remain per base bid.	\$38,500.00
2	Tankless Water Heaters	For Energy Conservation, the Contractor shall install 3 tankless gas water heaters in lieu of the 1 tank water heater. The zones shall be broken up by showers, gang restrooms and lobby/firest aid area.	\$18,790.00
3	Exterior and Pool Lighting	For Energy Conservation, the Contractor shall install Induction type light fixtures and bulb in the parking, egress and pool lighting in lieu of metal halide fixtures and bulbs.	\$34,000.00
4	Occupancy Sensors	For Energy Conservation, the Contractor shall install motion sensor light switches with shut off timer to conserve lighting costs in lieu of standard manual switches.	\$5,400.00
5	Rubber Flooring	Per Owners request, the Contractor shall install 1/4" Rubber flooring with 17% flex in the entire cardio room.	\$25,000.00
6	Upgrade Roof Panels	Per Energy Conservation and long Term Warranty, the Contractor shall install Kynar coated standing seam roof panels in lieu of the galvalume roof panel.	\$14,400.00
7	Additional Restroom Fixtures	Per the Owners request, the Contractor shall install an additional water closet and lavatory in the women's and a urinal and lavatory in the men's and associated compartment partitions.	\$7,874.00
8	Boundary and Topo Survey	Per the Owners request, the Contractor has included the Boundary Survey and Topographic conditions of the site.	\$2,000.00
9	Water Source Heat Pumps	Per Energy and Maintenance Savings, the Contractor shall include water source heat pumps for air conditioning and heating in new building other than the locker rooms and pool room areas that shall remain air cooled. The Contractor shall include water source heat pumps for air conditioning and heating as a replacement HVAC system for the entire existing wellness building. Both systems shall utilize one fluid cooler tower. The Contractor shall include a 5 year comprehensive maintenance service covering all parts and maintenance to the HVAC systems for both buildings.	\$269,152.00

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